GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5023
ANSWERED ON:26.04.2002
RBI AND INFLATION
JAIBHAN SINGH PAWAIYA

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has reduced the supply of money during 2001-2002 to only 14.3%;

(b) if so, the details thereof;

(c) whether RBI has also contained the Government borrowing programme for the year 2001-2002;

(d) if so, the details thereof and the steps taken by the RBI during2001-2002 to contain of money supply alongwith the target fixed for 2002-03 in this regard;

(e) whether re-finance facilities for banks was also restricted last year; and

(f) the impact of this policy of RBI on the economy and inflationary trends in the economy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) The Reserve Bank of India in its Annual Monetary and Credit Policy Statement released on April 19, 2001 had projected expansion in money supply (M3) for 2001-02 at about 14.5 per cent. This was based on the expected growth rate of real Gross Domestic Product (GDP) at 6.0 to 6.5 per cent with inflation remainingwithin 5.0 per cent. This order of growth in M3 was expected to adequately meet the credit needs of the economy. During the financial year 2001-02, money supply increased by 14.0 per cent.

(c) During 2001-02, the net market borrowing of the Central Government was Rs.92,302 crore, higher by Rs.822 crore ascompared with the revised estimate of Rs.91,480 crore.

(d) Does not arise.

(e) RBI provides standing liquidity facilities by way ofExport Credit Refinance (ECR) and Collateralised LendingFacility (CLF) to eligible banks. The limits available to banks under these two facilities together have increased from Rs.7,849 crore as on March 23, 2001 to Rs.9,743 crore as on March 22, 2002. Thus, there was no reduction in the standing facilities available to banks.

(f) The policy of the Reserve Bank and the measurestaken by the Government had a favourable impact on the economy. There has been a steady increase in the growth of GDP from 4.4 per cent in the first quarter to 5.3 per centand 6.3 per cent in the second and third quarters of 2001-02 respectively. Rate of inflation, as measured by wholesale price index on a point to point basis, remained subdued at 1.38 per cent as of March 29, 2002.